

Message Text

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ACTION PM-03

INFO OCT-01 NEA-09 ISO-00 MC-01 OMB-01 AID-05 ACDA-05

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PRS-01 SP-02 SS-15 USIA-06 SAB-01 SAM-01 NIC-01 IGA-01

EB-07 COME-00 TRSE-00 CIEP-01 /078 W

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 0043

INFO SECDEF WASHDC

CHUSMTM DHAHRAN

C O N F I D E N T I A L JIDDA 0727

E.O.: 11652: GDS

TAGS: PFOR, SA, MASS

SUBJ: TIME NEWS TOUR: FMC CHAIRMAN DISPUTES LONG LEAD
TIMES FOR APC'S

REF : STATE 268380

1. IN BRIEFING "TIME" NEWS TOUR GROUP AMBASSADOR SPOK OF SAUDI DISSATISFACTION AT THE VERY LONG LEAD TIMES FOR ACQUISITION OF SOME COMMODITIES, PARTICULARLY MILITARY ITEMS. AMONG SPECIFIC EXAMPLES CITED BY AMBASSADOR WAS THE "OVER FIVE YEAR" LEAD TIME FOR ARMORED PERSONNEL CARRIERS (REFTEL). FMS BOARD CHAIRMAN AND GENERAL MANAGER MALLOTT WHO WAS A MEMBER OF THE GROUP TOOK VERY STRONG EXCEPTION TO THIS, SAYING THAT IF THE SAUDIS WANT APC'S THERE WILL BE NOTHING LIKE A 68-MONTH LEAD TIME. HE WOULD NOT SAY WHAT THE LEAD TIME MIGHT BE, BUT IMPLIED THAT IT COULD BE CONSIDERABLY LESS THAN HALF THAT TIME.

2. IN RATHER EXTENSIVE DISCUSSIONS BETWEEN EMBOFFS AND MALLOTT (WHO WAS MOST EXIGENT BUT NOT AT ALL GENEROUS WITH INFORMATION) IT BECAME CLEAR THAT MALLOTT WAS NOT CHALLENGING
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ING THE QUOTED LEAD TIME WHICH WOULD RESULT IF STANDARD

FMS PROCEDURES WERE FOLLOWED; HE WAS IN EFFECT SAYING THAT IF THE INDUCEMENT WERE STRONG ENOUGH--AS FOR INSTANCE A SPECIAL ARRANGEMENT OUTSIDE FMS PROCEDURES--FMC WOULD BE ABLE TO GREATLY INCREASE PRODUCTION AND GIVE THE SAUDIS WHAT THEY WANT IN A RELATIVELY SHORT TIME.

3. WE EXPLAINED AT SOME LENGTH TO MALLOTT WHY THE SAUDIS LIKE TO PROCURE THROUGH FMS CASES--USG GUARANTEE OF PERFORMANCE AND QUALITY, THE KNOWLEDGE THEY ARE GETTING THE SAME AS U.S. SERVICES, ETC. WE ALSO EXPLAINED WHY THE EMBASSY VERY STRONGLY PREFERS FMS CASES--LESS CHANCE FOR A U.S. COMPANY TO BE SQUEEZED FOR BRIBES AND OTHER CORRUPT PRACTICES, LESS CHANCE OF A U.S. COMPANY FALLING FAR SHORT OF EXPECTED PERFORMANCE AND HURTING THE GENERAL GOOD REPUTATION OF AMERICAN BUSINESS, ETC.

4. OUR SURVEY OF THE SAUDI ARMY HAS CONCLUDED THAT THE SAG SHOULD PURCHASE THE M113 SERIES APC IN CONNECTION WITH THE MECHANIZATION OF THEIR INFANTRY DIVISIONS. IF THE BEST WE ARE ABLE TO OFFER THE SAUDIS IS A 68-MONTH LEAD TIME, WE HAVE LITTLE DOUBT THAT THEY WILL DO AS THEY HAVE DONE FOR THE ARMORED BRIGADES AND PURCHASE FRENCH APC'S. FROM WHAT MALLOTT HAS TOLD US, IT IS CLEAR THAT FMC CAN DO A LOT BETTER ON LEAD TIMES IF THE DEAL IS BIG ENOUGH OR THE PRICE IS SUFFICIENTLY ATTRACTIVE.

5. WE RECOMMEND THAT DOD REPS TAKE THE INITIATIVE IN DISCUSSING THIS QUESTION WITH FMC AND SUGGEST THEY REFER SPECIFICALLY TO MALLOTT'S CONVERSATION WITH AMBASSADOR AKINS AND EMBASSY OFFICERS IN RIYADH.
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